

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 OIC-02 EUR-12 /107 W

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R 311735Z JAN 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3734

INFO USMISSION GENEVA

C O N F I D E N T I A L L I M A 0 8 7 8

E.O. 11652: GDS

TAGS: ETRD, GATT, PE

SUBJ: GATT BALANCE OF PAYMENTS COMMITTEE REVIEW OF

PERU - GOP EXPRESSES CONCERN AND SUGGESTS

CLOSE COORDINATION WITH US DELEGATION

REFS: GENEVA 1931 OF 3/26/74, STATE 58923 OF

3/25/74, GENEVA 1831 OF 3/21/74

1. DURING INFORMAL MEETING WITH PERUVIAN DESK OFFICER  
CORY AT FOREIGN MINISTRY JANUARY 28, FERNANDO GUILLEN,  
CHIEF OF TRADE POLICY AT FOREIGN MINISTRY, TOOK OCCASION  
TO DISCUSS IN DETAIL GOP VIEWS ON FORTHCOMING GATT BOP  
COMMITTEE REVIEW OF PERU. GUILLEN MADE FOUR PRINCIPAL  
POINTS: A) THERE IS A SERIOUS PREOCCUPATION IN THE  
FOREIGN MINISTRY CONCERNING THE POTENTIAL OUTCOME OF  
THIS MEETING, AND HE EXPRESSED DESIRE THAT U.S. DELE-  
GATION TO THE MEETING INCLUDE A PROFESSIONAL DIPLOMATIC  
REPRESENTATIVE AS WELL AS TECHNICAL TRADE SPECIALISTS;  
B) PERU WILL AGREE TO DISCUSS SPECIFIC RESTRICTIONS  
WHICH IT HAS INTRODUCED FOR BOP REASONS, BUT WILL NOT  
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REPEAT NOT DISCUSS OTHER RESTRICTIONS; C) USG POSITION

WILL BE A KEY DETERMINING FACTOR IN REGARD TO OUTCOME OF COMMITTEE MEETING, BECAUSE U.S. IS PERU'S LARGEST TRADING PARTNER, AND USG POSITION WILL THEREFORE HAVE CONSIDERABLE IMPACT ON HOW OTHER MAJOR TRADING COUNTRIES WILL TREAT PERU. HE MENTIONED THAT IN PREVIOUS GENEVA DISCUSSIONS OF PERUVIAN POSITION, CANADA HAS TAKEN STRONG POSITION IN OPPOSITION TO PERUVIAN RESTRICTIONS);  
D) PERU, IN THE FIRST INSTANCE, WOULD PREFER A FURTHER POSTPONEMENT OF THE 1975 REVIEW. IF POSTPONEMENT IS NOT FEASIBLE, PERU WOULD HOPE THAT PERUVIAN AND U.S. DELEGATIONS COULD WORK VERY CLOSELY TOGETHER IN DEVELOPING THEIR RESPECTIVE POSITIONS.

2. GUILLEN THEN REVIEWED BRIEFLY HISTORY OF PERUVIAN RESTRICTIONS AS FOLLOWS: PRE-1968 - FOLLOWING KENNEDY ROUND, PERU HAD INSTITUTED NO RESTRICTIONS EXCEPT SPECIFIC TARIFF ITEMS. 1968 - PERU IMPOSED IMPORT RESTRICTIONS ON APPROXIMATELY 300 TARIFF ITEMS. MANY OF THESE ITEMS, IN GOP VIEW, FALL WITHIN GATT COMPETENCE AND WERE THEREFORE BOUND BY GATT RULES. 1969 TO THE PRESENT - PERU INSTITUTED OTHER RESTRICTIVE MEASURES, INCLUDING THE CREATION OF NUMEROUS STATE TRADING AGENCIES, EXONERATION OF CHARGES FOR MERCHANDISE CARRIED IN PERUVIAN BOTTOMS, SURCHARGES ON SPECIFIC PRODUCTS, ADDITIONAL TARIFFS PROPOSED IN 1973, AND A GROUP OF OTHER TARIFF ITEMS INCLUDED IN THE LIST 35 ANNEX TO THE GATT PROTOCOL.

3. GUILLEN EMPHASIZED THAT ALL THE FOREGOING RESTRICTIONS ARE TEMPORARY EMERGENCY MEASURES PUT INTO EFFECT TO IMPROVE PERU'S GOP. IN CLOSING, GUILLEN REITERATED DESIRE THAT A MODUS VIVENDI WITHIN GATT MUST BE FOUND TO AVOID A "CONFRONTATION" WITH THE INDUSTRIALIZED COUNTRIES.

4. DESK OFFICER CORRY TOLD GUILLEN THAT HE APPRECIATED LEARNING OF GOP VIEWS ON THIS ISSUE AND THAT, WHILE HE WAS NOT PREPARED TO COMMENT ON SUBSTANCE OF THEM, HE WOULD REVIEW ISSUE WITH APPROPRIATE OFFICES IN THE DEPARTMENT TO SEE WHAT COULD BE ACCOMPLISHED TO MEET GOP REQUEST.

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5. COMMENT: ALTHOUGH GUILLEN DID NOT SAY SO DURING MEETING WITH CORRY, HE HAD PREVIOUSLY TOLD EMBASSY ECONOMIC COUNSELOR THAT SHOULD PERU BE HARSHLY CRITICIZED DURING BOP REVIEW, HE FEARED THE POSSIBILITY THAT GOP POLICY-MAKERS MIGHT CONSIDER WITHDRAWAL FROM GATT. HE TOLD COUNSELOR THAT HE HOPED TO AVOID THIS EVENTUALITY, AND HE WELCOMED SUGGESTION TO DISCUSS THIS PROBLEM IN

DEPTH WITH CORRY PRIOR TO THE GENEVA MEETING IN THE HOPE THAT THE USG WOULD NOT PRESS PERU EXCESSIVELY ON THIS ISSUE.

6. WE UNDERSTAND THAT PERU HAS NOT UNDERGONE REVIEW FOR SOME YEARS AND THAT PRESSURE UNDOUBTEDLY EXISTS TO PROCEED WITH FULL REVIEW THIS YEAR. (PERU'S BOP SURPLUS AT THE END OF 1974 WAS \$286 MILLION, THEREBY INCREASING NET INTERNATIONAL RESERVES TO \$696 MILLION AT YEAR'S END. THE BOP WAS SUPPORTED BY A SHORT-TERM CAPITAL INFLOW ESTIMATED AT APPROXIMATELY \$500 MILLION, THEREFORE, CURRENTLY PERU'S LEVEL OF FOREIGN EXCHANGE RESERVES ARE SUFFICIENT FOR APPROXIMATELY FOUR MONTHS OF IMPORTS, BUT THIS MAY BE REDUCED IF IMPORTS EXPAND AT RATE OF APPROXIMATELY 28 PERCENT DURING 1975, AS EXPECTED. WE ARE FORECASTING DROP IN RESERVES TO \$500 MILLION BY THE END OF 1975. REVALUING OF GOLD RESERVES WOULD ADD AN ADDITIONAL \$200 MILLION.) THE EMBASSY BELIEVES THAT OUR POSITION ON THIS ISSUE SHOULD ALSO TAKE INTO ACCOUNT THE NUMEROUS CONTENTIOUS ISSUES WHICH HAVE ARISEN DURING THE LAST YEAR BETWEEN OUR TWO GOVERNMENTS AND THAT WE SHOULD MAKE AN EFFORT TO ACCOMMODATE THE PERUVIAN REQUEST TO THE EXTENT IT MEETS OUR OVERALL OBJECTIVES WITH REGARD TO GATT. IN THIS REGARD, WE NOTE THE DEPARTMENT'S DESIRE IN EARLY 1974 (SEE STATE 58923) TO AVOID A GENERAL DEBATE ON WHETHER TRADE RESTRICTIONS ARE JUSTIFIABLE MEANS OF DEALING WITH BOP DIFFICULTIES. IF POSTPONEMENT ON THE MEETING IS NOT FEASIBLE, WE WOULD THEN APPRECIATE DEPARTMENT GUIDANCE ON WHAT OTHER RESPONSE WE CAN MAKE TO GUILLEN HERE, AS WELL AS GENERAL VIEWS ON THIS ISSUE.

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